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News Release

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Canada's New Government Reduces Debt Burden to Lowest Level in Quarter Century

The Honourable Jim Flaherty, Minister of Finance, today tabled in Parliament the *Debt Management Report* for 2005–06, which reports that Canada's New Government has eliminated $13.2 billion in federal debt.

"This achievement will yield interest savings of approximately $650 million each and every year," said Minister Flaherty. "That's money that can be used to provide priority programs or further reduce the tax burden on Canadian families and businesses."

The Government has reduced its debt to $481.5 billion from its peak of $562.9 billion in 1996–97, a reduction of $81.4 billion.

Canada's net debt burden is the lowest in the G7 and is well below the average of countries in the Organisation for Economic Co-operation and Development.

In 2005–06, the Government spent just over 15 cents of every revenue dollar on interest on the public debt. This is down from the peak of about 38 cents in 1990–91 and is the lowest this ratio has been since the late 1970s.

An ongoing goal in managing the debt has been to support a well-functioning market in an environment of declining borrowing needs.

The *Debt Management Report* provides Canadians with a detailed account of the Government's borrowing and cash operations in 2005–06, the environment in which the debt is managed, and the composition and changes in the debt over the course of the year.

Initiatives of note in 2005–06 include:

- Keeping debt-servicing costs stable and low by continuing to reduce the fixed-rate component of the debt toward 60 per cent from two-thirds.

- Promoting liquidity in Government of Canada securities, including through continued buybacks of outstanding debt and adjusting the new 2-year issuance so that it is interchangeable with existing bond issues.

- Enhancing the efficiency of the auction process to encourage participation and reduce market risk for participants by advancing the timing of bond auctions and reducing the turnaround time for making results public.

The *Debt Management Report* can be viewed free of charge on the Department of Finance website. Printed copies cost $10.60 and can be ordered by calling the Department's distribution centre at 613-995-2855.

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